

The background of the cover is black. In the top left, there is a grid of small, light gray squares that tapers off to the right. In the top right corner, a series of white circles forms a curved line. The bottom half of the cover is dominated by several large, concentric circles in shades of gray and white. A large circle on the left has a thick white ring. Other smaller concentric circles are scattered around it. In the bottom right, there is a faint grid of small squares, similar to the one in the top left.

CREDIT UNION CENTRAL ALBERTA LIMITED
2007 ANNUAL REPORT

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Business and financial results indicate 2007 was yet another record year for Alberta Central and the Alberta credit union system.

The vibrant Alberta economy continues to provide unprecedented opportunities for growth, and the Alberta credit union system is proving its capacity to gain market share, generating strong membership and asset growth on a profitable basis. Alberta Central plays a vital role in supporting the market success of credit unions in Alberta through the products and services it provides to the credit union system.

As our credit union system continues to expand and increase the complexity of its business activities, the capacities and services of Central need to keep pace in response to credit union business strategy. During 2007, the Board and management pursued an opportunity to consolidate Alberta, Manitoba and Saskatchewan Centrals in order to meet the changing needs of credit unions in the prairies. The Boards and management of the three prairie Centrals focused on identifying a vision, strategy, business operating principles, and a corporate and financial structure for a new prairie Central organization. This discussion led to a much better understanding of our prairie systems and Centrals' business models, and although the project is not being actively pursued at this time, it is clear that the prairie credit union systems face a number of common issues that should support closer collaboration on Central service delivery in the future. Therefore, as the credit union systems continue to evolve across the country, we will all benefit from exploring future opportunities for cooperation and joint action, in order to bring increasing value to our credit union systems. It must remain a continuing focus of Alberta Central's business strategy to explore more opportunities for working with other Centrals.

Another important priority for the Board this year was conducting the search process for a new President & CEO. With Jim Scopick's retirement at the end of December, the Board mandated that the search would focus on candidates who would best allow the organization and our system to build on the vast accomplishments to date and support the system through its next phase of development. The new President & CEO,

Graham Wetter, is well respected in the credit union system in Alberta and nationally, and is an excellent choice to represent our system. We are confident that he will lead Alberta Central in supporting the growth of the Alberta credit union system and in fostering the environment of innovation and service quality necessary to meet the needs of Alberta credit unions in the future.

On behalf of the Board, I would like to welcome Graham Wetter as Alberta Central's new President & CEO. We look forward to working as a team.



G. Penny Reeves
Chair of the Board
Alberta Central

Firstly, I would like to express my appreciation for the confidence of the Board of Directors of Alberta Central in appointing me as President & CEO of Central effective January 1, 2008. The legacy of Jim Scopick, President & CEO of Central from 1987 until his retirement at the end of 2007, has left the Alberta credit union system with a Central organization in an exceptionally strong financial position, with a proud culture of delivering quality service to credit unions, and with a mission to support the market success of credit unions. It will be my focus to advance this legacy for the benefit of the Alberta credit union system.

The transition to new leadership at Central comes at a pivotal time for our system. The announcement in February 2008 of the initiative to amalgamate Servus, Community and Common Wealth credit unions—which represent 58% of our system assets—has far-reaching impacts on these organizations, the Alberta credit union system at large, and Central. This new development, in a long running trend of credit union consolidation, will require us to redefine our relationships between credit unions and Central. This is both a complex challenge and a real point of opportunity to position the Alberta credit union system as a much stronger, coordinated competitor in the Alberta marketplace.

Apart from the impacts of credit union consolidation, there is a number of other factors that will have significant effects on Central's business in future years. The sale of the Credit Union Electronic Transaction Services (CUETS) business in 2007 has created a substantial balance of proceeds, which provides us with options for reinvestment in new ventures or re-deployment within our system. The sale of CUETS will also reduce Central's future earnings capacity; however, we will continue to see positive and stable earnings in our financial services and payments businesses.

The free trade agreement between Alberta and British Columbia (TILMA) will open a new era in financial institutions' services in the two provinces and create opportunities for Alberta Central. Together with ATB Financial, B.C. and Alberta credit unions, we are witnessing unique events in history for our systems, and for the first time ever, we are joining forces to provide advice to the governments of Alberta and B.C. on how to level the playing fields in our two provinces to accommodate free trade in financial services. Although some fundamental issues are yet to be worked through, we are confident that we will find a resolution and meet the implementation schedule for TILMA in April 2009.



Graham Wetter
President & CEO
Alberta Central

Our joint venture, Celero, will be moving into the full launch of the eroWORKS® banking system conversion in 2008. This is by far the largest technology conversion ever undertaken by the credit union system in Canada. There is clearly risk involved in any project of this scale, and Celero has taken well-planned and prudent steps to ensure that when the project commences, it will progress as smoothly as possible and on schedule.

And if this is not enough, there are other projects on the horizon which will have major impacts on Central and credit unions. These include the launch of chip card technology as early as 2009, the first implementation phases of TECP—electronic cheque image exchange and settlement—scheduled to begin in 2009, and the rollout of Central's document imaging and e-statement services in 2008.

As a reflection of the marketplace demands placed on our credit union owners, we operate in a challenging and quickly changing environment at Alberta Central. It is our goal to continue to stay closely in tune with credit unions' business needs and to provide responsive, high quality and competitive service solutions.



Alberta Central
is dedicated to credit
union excellence.
Our success is
your success.

Change. Innovation. Difference.

With the continuing transformation of the financial services industry and with the evolution of the credit union system gaining momentum, Alberta Central's challenge is to keep pace with the rate of growth and change in our environment. Last year was a year of change and hard work. From taking an in-depth look at employee engagement to preparing for chip technology implementation, Central and its joint ventures introduced a number of new initiatives and made notable progress on major industry-wide and system-wide projects. The goal of these initiatives is to invest in the future, lead innovation and leverage our resources to support the success of credit unions.

EMPLOYEE ENGAGEMENT INITIATIVE AT ALBERTA CENTRAL

At Central, our people are our most important asset and the driving force behind the service quality and innovation that are key to our relationship with credit unions.

In order to enhance Alberta Central's commitment to our people and support the success of our overall business strategy, Central embarked on the development of a new employee engagement initiative in 2007.

We currently face tight labour market conditions, and there is a pressing need to ensure that Central has a work environment that is able to attract talented staff, and that supports the development of a highly motivated and enthusiastic employee base.

"We must create an environment that responds to a broad set of expectations and values of our multi-cultural and multi-generational workforce. Then, we will be able to capitalize on the wisdom and experience of our seasoned employees, as well as on the drive and energy of our "new blood", to build a workplace that is motivating and rewarding for all."

Christine Grayhurst, Manager, Human Resources

Our work on employee engagement involves a variety of new initiatives to accommodate the needs and aspirations of all our employees. Programs to cultivate employee recognition and shared learning, events to foster employee relationships and management visibility, and strategies to improve communication to employees are just some of the initiatives being introduced.

Although the initiative is in the early stages of implementation, the initial response by employees has been extremely positive. Alberta Central is certain that the success of this program will continue to develop a work environment and corporate culture in which employees feel connected to the business and take pride in their roles within it. Christine Grayhurst says,

"We want our employees to feel inspired and realize the very important role they all play in the success of our system."

By 2012, all debit cards used at ATMs and merchant point of sale terminals in Canada will be required to include microchip technology.

This will be a significant conversion project for the Alberta credit union system, involving the exchange of hundreds of thousands of current magnetic stripe cards in member hands, and the conversion of card readers in ATMs, branch service terminals, and merchant location card terminals. Chip cards will bring to consumers a number of benefits including greatly reduced risk of fraudulent use of debit cards, the potential to add multiple card functions on a single card (i.e. debit and credit), loyalty points tracking, and even wireless payment services.

Preparation for this project is well advanced, although there is still significant work left to do in order to begin the rollout of chip cards to credit union members in Alberta. A key component of being chip card-enabled is securing a credit union system supplier of ATM and merchant point of sale debit card switching services. The current supplier contract expires in April 2009, and a national committee completed a formal assessment of switching service providers in 2007 to obtain a competitive market view of chip-ready switching services available to Canadian credit unions. The primary purpose of this process was to ensure our credit unions were provided with the most suitable supplier available in switching to chip-enabled debit cards.

"We believe that the bid from Everlink provides the best value and lowest risk switching service, and fastest speed to chip solution for our credit unions."

Graham Wetter, President & CEO

Everlink, in partnership with CUETS Financial, a subsidiary of MBNA Canada Bank, will allow credit unions to quickly move forward with chip migration, provide them with an opportunity to continue leveraging their investment and business relationship with Everlink, and avoid risks associated with a conversion process for switching services. Adds Graham Wetter:

"The partnership between Everlink and CUETS offers a coordinated and timely strategy to place credit unions in Alberta at the leading edge of chip card introduction in Canada. In my view, it is critical that credit unions in Alberta are in the marketplace with this new technology on the same schedule as our major bank competitors, who are currently piloting this technology in Canada for introduction in late 2008."

Alberta Central is continuing to work with Credit Union Central of Canada and the provincial Centrals of Manitoba and Saskatchewan to establish a new contract with Everlink to meet the credit union chip migration requirements.

CUPS Payment Services made significant progress in 2007 toward implementation of the Truncation and Electronic Cheque Presentment (TECP) project.

This major industry-wide initiative, led by the Canadian Payments Association (CPA), will modernize the cheque clearing system using electronic image technology. The move to image-based clearings will improve the speed and efficiency of the clearing process by eliminating the exchange of paper items between financial institutions. It will also allow for the introduction of new image-based services that will offer a variety of benefits to businesses and consumers alike.

"This project represents the final phase of current electronic capabilities to bring further efficiencies and cost cutting opportunities to credit unions."

Judy Hammond, Assistant Vice President,
CUPS Payment Services

The two vital components of the new clearing infrastructure have been installed and tested in CUPS Payment Services: the CPA's Exchange Control System, which will track and manage the exchange of data between financial institutions, and the CPA's secure telecommunication networks, which all financial institutions will use to exchange image files. CUPS Payment Services is well ahead of the CPA schedule and the major chartered banks, having accomplished approximately 80% of the project already.

CUPS Payments Services is also preparing to offer credit unions remote branch capture opportunities in addition to fulfilling the TECP requirements. This service will allow credit unions to capture cheque images and transmit them directly to Payment Services as opposed to sending their cheques through the courier. Judy Hammond explains the goal of this project:

"By providing this service to credit unions, we want to reduce or eliminate courier costs and improve speed and reliability."

In addition, this feature will position credit unions to acquire more innovative image-based services in the future.

A key priority for Celero Solutions in 2007 was executing Project Meta, a corporate initiative created to migrate 120 prairie credit unions to a new retail banking system by the end of 2010.

Project Meta is one of the largest technology projects ever undertaken within the credit union system and involves the replacement of Celero's four legacy systems with a single platform called eroWORKS®.

"eroWORKS® offers credit unions a functionally-rich and flexible banking system they can leverage to meet their business needs for years to come."

Dan Delaloye, Chief Executive Officer,
Celero Solutions

The eroWORKS® platform, built on Open Solutions' The Complete Credit Union Solution® product, has been installed at 700 financial organizations and is considered one of the primary banking systems of choice for credit unions world-wide. The banking system, along with its companion ancillary products, will allow credit unions in Alberta, Saskatchewan and Manitoba to grow their business while developing custom and targeted programs that meet their individual members' financial needs.

In 2007, Celero and partner Open Solutions successfully implemented eroWORKS® at Chinook Credit Union, one of Project Meta's pilot sites. Celero also advanced three other pilots in Manitoba, Saskatchewan and Alberta. In the fourth quarter, the Meta team commenced several other migration projects, and is poised to implement eroWORKS® at a number of credit unions across the three prairie provinces in 2008. Celero's Project Meta team also completed the necessary upgrades and development to data centres to host the new banking system. As Dan Delaloye confirms,

"Celero's goal through Project Meta is to deliver an efficient migration experience to credit unions."

Last year, Alberta credit unions, working with Alberta Central, decided to examine ways in which they could coordinate their community initiatives to increase their impact, while at the same time raising awareness of credit unions among young adults.

The result was the development of the Agent4Change program: an innovative action-based, community-focused initiative designed to engage young people in a dialogue on what social issues are important to them, and how credit unions can partner with youth to impart change.

The program involves young adults across Alberta, who are being asked to submit videos outlining community issues in need of change and proposing specific actions to advance the cause. Albertans will then cast their votes to elect an Agent4Change winner. This young person will help credit unions implement a program in support of the winning cause and will serve as a special youth consultant to credit unions, helping Alberta credit unions to identify the needs of young people and find ways to better serve them.

"This program works to the advantage of credit unions on so many levels: it solidifies our commitment to the betterment of our communities; it raises awareness of credit unions in the young adult target market—both as potential employers and as potential financial service providers; it taps into the minds of young people and helps us understand what really is important to them; and it speaks to youth in a language that is familiar to them. Our website, www.agent4change.ca, has all the bells and whistles that are likely to impress our young audience."

Liana Kano, Assistant Vice President,
Strategy & Communications

Prior to unveiling the program to Albertans, credit unions participated in an internal launch, designed to engage credit union employees in the Agent4Change initiative. The winner of the internal contest was Jamie Rigler from Common Wealth Credit Union.

"I was thrilled to win the contest, but even more thrilled to simply participate in it, because I see Agent4Change as a great initiative to better our communities and potentially the whole province. The fact that Alberta credit unions are taking the time to find out what is important to our youth speaks volumes about our system—we care! I am very excited to see how this program will impact the lives of others."

Jamie Rigler, Commercial/Agricultural Account
Officer Trainee, Common Wealth Credit Union

The winner of the provincial Agent4Change contest will be selected in April. With help and financial backing from credit unions, and with involvement of other young Albertans, this individual will strive to implement change province-wide. Liana Kano added:

"We can't wait to start working with our Agent4Change and other young people toward real, tangible community goals. Credit unions, program leaders from our steering committee and Central have learned so much in the process, and we are still continuing to learn. Most importantly, we are having a lot of fun—and so are our contestants!"



Taking an active role in helping our communities grow and prosper is not new to our system.

Credit unions are renowned for their community focus and responsible corporate citizenship. By remaining community-based, locally owned and operated, and by offering substantial financial backing to local initiatives, credit unions across Alberta have maintained a leadership role in the arena of community involvement. Alberta Central, as a corporation, also plays an active role in building strong and vibrant communities. Year after year, Central's employees, management and Board members continue to demonstrate that they care about their communities by donating time and money to worthy causes and local associations.

Our system's unwavering commitment to corporate social responsibility goes far beyond monetary value. The following are just some of the examples of how credit unions, Alberta Central and their staff are making a difference in their communities today.

ALBERTA PROMISE INITIATIVE

The Alberta Promise is a province-wide initiative which asks companies, foundations and service clubs to work together to direct more resources to benefit the children and youth of Alberta. As an Alberta Promise Builder, Rocky Credit Union supports an ongoing commitment to the children and youth programs in its local area. Each year, Rocky distributes over \$10,000 in cash donations and \$1,000 in gift-in-kind sponsorships. Its staff are also encouraged to volunteer in local community activities, including youth and children's sporting groups, 4H, public speaking and service programs.

"As a community-based and people-focused financial institution, we believe children are our building blocks for today and tomorrow. We are thrilled to support the Alberta Promise Initiative as a Promise Builder."

Daniel Johnson, CEO, Rocky Credit Union

COMMUNITY COUNCILS

Servus Credit Union's community councils were established to maintain the ethnic and linguistic roots of the credit unions that merged to form the current organization. Nominated by their respective communities, council members help ensure that community needs are identified and that

appropriate activities are supported. Sponsorships initiated by the councils include Parkland Ambulance Authority in Spruce Grove, East Indian Vaisakhi Celebration, Fort Saskatchewan Boys and Girls Club, Centre d'arts visuels de l'Alberta, Ukrainian Cultural Heritage Village, the Vietnamese Tet Festival, and the Chinese Lunar New Year Extravaganza.

"We now have 17 linguistic or geographic councils, which allow us to stay in tune with the needs of the individual communities and therefore to be able to assist them in meeting their needs."

Steve Blakely, President & CEO, Servus Credit Union

Community councils have proven to be an excellent tool for communication and for ensuring that community needs are identified and acted on. In 2007, Servus Credit Union provided more than \$500,000 to 525 deserving organizations.

CARE WEAR PROGRAM

The Care Wear Program was initiated by Lakeland Credit Union so that staff could participate in corporate citizenship and give back to nonprofit organizations over the course of the year. Each Friday, staff pay \$2 to wear a black shirt with the Care Wear and Lakeland Credit Union logos to identify the fundraising endeavor.

"I couldn't be any prouder of our staff for their continual support for this program, which has helped so many organizations in our community."

Les Miller, CEO, Lakeland Credit Union

Within a short year, staff have raised thousands of dollars for local groups including MADD of Cold Lake, Bonnyville Boys and Girls Club, Jericho Youth Society, and the Bonnyville & District SPCA.

NO CHARGE BANKING SERVICES FOR NOT-FOR-PROFIT ORGANIZATIONS

Community Savings has a long standing policy of providing no charge banking services to all of its not-for-profit organization members. The waived fees amount to nearly \$800,000 each year, and when added to the \$1 million in sponsorships and donations, represent a community commitment of just over 7% of net income. Another example of Community's commitment is the critical role it played in sustaining the economic viability of the Town of Ralston, Alberta, where it provides banking services to the local Canadian Forces Base Suffield. Local banking encourages local spending, which helps to provide a thriving business base in small town Alberta.

"We are extremely pleased to be able to demonstrate our commitment to the communities we serve in multiple ways, to make them better places to live and work."

Murray Haubrich, President & CEO,
Community Savings

UNITED WAY

Alberta Central has long been a supporter of United Way. Each year, Alberta Central and Celero Solutions Calgary employees come together to jointly hold a month-long fundraising campaign. This year, Alberta Central and Celero Solutions had their most successful campaign ever, with an employee participation rate of 82%. Central and Celero staff raised approximately \$14,630 from pledges, and another \$14,630 was donated by Central and Celero to match employee efforts.

"It is exciting to see a group of people band together and donate so much time and money for such a great cause. Our employees really have so much heart when it comes to their community."

Piero Novello, 2007 United Way Fundraising
Coordinator and Account Manager, Celero Solutions

GOLDEYE FOUNDATION

The Goldeye Foundation is another organization which is important to Central. In addition to financial assistance, Central has a team of employees who help coordinate the Goldeye Foundation's largest annual fundraising event, the Goldeye Golf Tournament. The tournament raised

more than \$34,000 last year for the continued development of the Alberta Community and Co-operative Association's programs designed to assist in developing leadership skills among today's youth.

"It has been my experience that Central always steps up to the plate and goes above and beyond for Alberta's youth."

David Yanick, Supervisor, Materials Management
for Alberta Central and Board Member for the
Co-operative Youth Alumni Association of Alberta

FOREST STEWARDSHIP COUNCIL (FSC) CANADA

Central is also doing its share in protecting and preserving the natural environment. The FSC is a non-profit organization that supports environmentally appropriate, socially beneficial and economically viable management of the world's forests. For a number of years, Central Purchasing has been actively involved in sourcing environmentally-friendly products through companies that demonstrate sound environmental responsibility, and has recently committed to actively promoting the use of FSC stocks and certified printers to credit unions, affiliates, and external clients. By using FSC certified products, clients are helping to ensure that environment, community, worker and industry needs are balanced, and that long-term forest management plans are implemented.

"We want to guarantee that we are doing all we can do to support healthy forests and environments for many years to come. We are extremely pleased to be able to say that we are a leader in promoting FSC certified products and have an FSCXpert™ on board. Kim Medcalf, who is a qualified advocate for the use of FSC certified paper products."

Marlene Nelligan, Manager, Central Purchasing

OUR PEOPLE IN THE COMMUNITY

In addition to volunteering at local events and fundraising on behalf of various causes, Central employees are Board members for many notable not-for-profit organizations. Alberta Ballet, Santa's Secret Service, the Calgary Public Library, and the Marlborough Park Community Association are just a few organizations where Central employees are taking responsibility for their communities by investing time and expertise.

Environment.
Trends.
Performance.

THE CANADIAN ECONOMY

Two of the biggest contributing factors affecting the economic performance of Canada in 2007 were the sharp appreciation of the Canada/U.S. exchange rate and the financial market volatility associated with the sub-prime mortgage problem in the U.S. The effects of both of these will be felt throughout 2008.

The Canadian economy has largely weathered the economic storms of 2007. The U.S. economy continues to show signs of faltering, and this slowdown will result in weak demand for Canadian goods in the United States. With the Canadian dollar valued at approximate parity with the U.S., this will contribute to weakness in the export sector. This will primarily be felt in the manufacturing sector in central Canada.

The Canadian government introduced some fiscal stimuli in its November 2007 economic statement. This, coupled with the cut to GST that took effect in January 2008, should serve to prevent the Canadian economy growth rate from slipping, although some slowing is predicted. After a growth rate of 2.7 percent in 2007, the Canadian economy is expected to grow by less than 2.0 percent in 2008.

From a monetary policy perspective, inflation in Canada appears to be under control. In the Monetary Policy Report issued on January 24, 2008, the Bank of Canada noted that it had lowered the target for the overnight rate by 25 basis points on each of December 4, 2007 and January 22, 2008. On March 4, the Bank of Canada further lowered the overnight target rate by 50 basis points, citing that the U.S. economic situation could further affect the Canadian and world economies, and noting that "further monetary stimulus is likely to be required in the near term."

Mortgage rates increased by approximately 100 basis points in 2007, reflecting a tightening of the credit market. This promoted some Canadian chartered banks to threaten not to follow any decreases in the Bank rate.

The major risk for the Canadian economy is the scenario that the U.S. slowdown will amount to a severe prolonged recession. This could also have ramifications for the Alberta economy, as the U.S. consumes approximately 25 percent of world oil production. Given this, a major recession in the U.S. could possibly lead to a sharp drop in the world price of oil, which could have negative ramifications for oil sands development. Economists predict that the probability of these developments is very low.

THE ALBERTA ECONOMY

The Alberta economy continues to be driven primarily by oil and gas. The oil and gas sector, led by production of non-conventional oil, is forecast to expand in 2008. This will be sufficient to overcome expected declines in the natural gas sector. After growing at 6.6 percent in 2006, the Alberta economy slowed down to a more sustainable growth rate of 3.5 percent in 2007. This pace of growth is forecast to continue into 2008.

The labour market in Alberta continues to be dominated by excess demand for labour, resulting in an unemployment rate that is consistently below 3.5 percent—the lowest unemployment rate of any province in Canada. The unemployment rate is forecast to remain in the 3.5 percent range for 2008. This has led to strong wage gains. Average weekly earnings increased by approximately 4.5 percent in 2007 and are projected to increase by approximately 3.5 percent in 2008.

For several years, the Alberta labour shortage has been somewhat mitigated by strong net migration from other provinces. The growth in net migration to Alberta slowed considerably in 2007, and, although net migration in 2008 is expected to be positive, the rate of growth is expected to decline again. This is mostly a response to the high cost of housing in Alberta and the fact that British Columbia and Saskatchewan are forecast to have robust economies.

With the world price of oil continuing to be relatively high, investment in the oil sands will continue at a very strong pace. As these projects come to fruition, and output from the oil sands continues to increase, there will also be a need for more investment in pipeline infrastructure. It is expected that total investment in non-residential construction plus machinery and equipment will increase to \$62 billion in 2008, compared to approximately \$55 billion in 2007.

After a red hot year in 2006, the housing market in Alberta is undergoing somewhat of a correction. Although total housing starts in 2007 were almost equal to the 2006 figure, an increase in multiple starts was offset by a decline in single starts of 12 percent. Canada Mortgage and Housing Corporation (CMHC) is predicting that single starts will decline by another 17 percent in 2008, and that multiple starts will decline by 20 percent. In the resale market, CMHC is predicting that resale price growth will slow to 4 percent in 2008, which is the weakest increase in 12 years.

ALBERTA CREDIT UNIONS

The credit union system again had a very successful year in 2007, as the vibrant Alberta economy continued to provide strong growth opportunities for the system. Assets rose by 15.8% to \$14.8 billion as a result of strong growth in the residential mortgage and commercial loan markets. Stabilized financial margins, a very low level of credit losses and ongoing improvements in operating expense ratios enabled credit unions to maintain a strong capital base while improving their market share. At the same time, credit unions expanded their branch network, which now includes 211 locations throughout Alberta.

The liquidity market disruption that took place in the summer of 2007 resulted in credit unions relying more heavily on the deposit market for funding loan growth, as securitization and other funding strategies became both more costly and more difficult to implement. In spite of the fiercely competitive marketplace for deposits, credit unions were able to achieve over 13% growth in 2007, and were able to fund a large portion of new loans through deposit growth. While the tighter liquidity environment resulted in increased borrowings to fund some loan growth, sound and prudent liquidity policies ensure that the Alberta credit union system continues to have more than adequate liquidity to allow credit unions to carry on business as usual.

Yet, with the double digit asset growth expected to continue in 2008 due to the robust Alberta economy and increasing credit union membership, a renewed emphasis on deposit growth must be at the forefront in 2008, with the objective of deposit growth funding loan growth. Credit unions are turning to market vehicles such as securitization to help fund loan growth and provide liquidity, and these strategies will continue to be pursued in 2008. Commercial loan syndications with third parties such as other provincial credit union systems will also be developed as a way of meeting continued loan demand and responding to member needs.

The Alberta credit union system is not immune to the challenges presented by Alberta's buoyant economy, particularly the tight labour market. Credit unions faced staffing issues just like all other businesses in the province, especially in the area of front end service staff, investment specialists and commercial lenders. This is expected to continue in 2008 as net migration is forecast to decrease because of the high cost of housing and out-migration to our neighboring provinces. In 2008, Alberta Central will continue to look for opportunities to help credit unions address their employment challenges through needs assessment, best practices and information sharing, and collaborative human resources strategies.

The consolidation trend of the Alberta credit union system has continued over the past several years. At the end of 2007 there were 48 credit unions, as compared to 71 credit unions five years ago. This trend has increasingly resulted in a concentration of system assets within the larger credit unions. In February of 2008, three of the largest credit unions in the province (Servus, Community and Common Wealth credit unions) announced an intention to amalgamate in 2008. This amalgamation will result in a credit union representing 58% of total Alberta credit union system assets. Past consolidation within the credit union system has significantly increased both the competitiveness and the cohesiveness of the credit union system in Alberta, and it is expected that the proposed merger will extend this trend.

Credit unions in Alberta continue to work with their provincial regulators to seek business powers that would support a level and competitive playing field in the financial services industry in Alberta. In particular, it is expected that the implementation of the Trade, Investment & Labour Mobility Agreement (TILMA) between British Columbia and Alberta will bring the current business power restrictions faced by Alberta credit unions to the forefront over the next two years, as the two provinces seek to harmonize regulation.

ALBERTA CENTRAL

The Canadian market for non-bank sponsored asset-backed commercial paper (ABCP) suffered a liquidity disruption in mid-August 2007. Alberta Central had \$224.5 million of investments which were affected by this disruption, and these securities have not traded in an active market since mid-August 2007. As outlined in the notes to the consolidated financial statements, Alberta Central has estimated the fair value of these assets using a probability weighted discounted cash flow valuation model, resulting in a provision of \$33.3 million (14.8%) against these investments. A significant component of the provision taken against ABCP is related to an estimate of the potential value of the assets once they have been restructured and begin to trade in the market. The provision also includes an allowance for credit losses that may arise in relation to the impairment of any of the underlying assets, and also for a reduced yield related to the cost of a margin funding facility required to support the restructuring of the leveraged assets.

Alberta Central's overall net financial income for the year improved significantly year-over-year as a result of strong credit union growth and a more profitable asset mix at Central. There was a significant shift in Central's balance sheet as credit unions withdrew surplus liquidity deposits over the year to fund system loan growth. Credit union borrowing from Alberta Central also increased significantly, and Alberta Central's commercial loan portfolio grew markedly in response to the strong economy and credit union demand for loan syndication opportunities. ABCP investments were considered illiquid for the latter part of the year, which further decreased the liquidity resources available to Central. As a result, Central relied more heavily on its commercial paper program to generate additional liquidity for the system. Credit unions and Central are working together towards developing other alternative funding sources (such as asset securitizations, deposit brokering, and third-party borrowing arrangements) to supplement credit union efforts of raising traditional deposits.

On October 1, 2007 the CUETS joint venture sold its net assets related to the retail credit card business to CUETS Financial Inc., a wholly owned subsidiary of MBNA Canada Bank. MBNA was seen as a suitable partner for this transaction due to its commitment to continue operating CUETS Financial as a dedicated MasterCard provider for the credit union system and maintaining the CUETS card options and the Choice Rewards loyalty program. In addition, MBNA is a mono-line financial institution in Canada, with no other lines of business in competition with credit unions. It is also a larger player in the credit card business, which enables it to more economically manage the significant capital investments required for major infrastructure projects such as chip card readiness. As a result of its investment in chip development, CUETS has become a market leader in this area and will be well positioned to support credit unions in converting to chip debit cards beginning in the fall of 2008.

Very strong results for the year and a strong equity base enabled Alberta Central to pay both a share and patronage dividend while absorbing the impact of accounting adjustments required for the non-bank ABCP portion of the securities portfolio. Central's dividends of \$14.8 million included a share dividend rate equal to the average prime rate for the year plus a \$4 million patronage dividend. Alberta Central was still able to realize a strong contribution to retained earnings, remains very well capitalized and operates with a low leverage ratio (6.8%). With a solid level of retained earnings, now representing 3.6% of total assets, Central will be consulting with credit unions on its long-term capital strategy in 2008.

Since its establishment in 2003, Celero Solutions has realized significant cost savings for credit unions through rationalizing infrastructure across the prairies, and continues to provide very stable banking systems to its customers. The most significant project in Celero continues to be Project Meta, which is the largest technology change ever undertaken within the Canadian credit union system. Meta involves the replacement of four legacy banking platforms with a single new solution called eroWORKS® at over one hundred credit unions. Celero is expected to incur regular operating losses until the conversions are complete in 2010 due to the concurrent operation of the legacy systems during the Meta conversion period.

CUPS Payment Services earnings improved from 2006, despite significant price reductions to credit unions for electronic payments services and the loss of some significant business coincident with the sale of CUETS. In 2007, the joint venture launched a new integrated document imaging, content management and e-Statement solution, which is expected to become a very significant line of business for the venture. With extremely small margins on service offerings, CUPS Payment Services' focus is on delivering outstanding levels of service to credit unions while continuing to develop new sources of external business and managing costs.

The merger announced between Servus, Community, and Common Wealth credit unions will significantly alter the makeup of the Alberta credit union system, and it undoubtedly will have an impact on Alberta Central. For a number of years, Central's Board and management have been discussing the issue of credit union concentration and our organization's need to remain responsive to the needs of both large and small credit unions. As always, it remains important that Central continues delivering exceptional customer service to all our credit union customers, and that it remains supportive of meeting their business needs and the needs of their members.

ALBERTA CREDIT UNION SYSTEM

The Alberta credit union system is comprised of 48 credit unions and Alberta Central.

The system serves over 720,000 members through its 211 branches, a province-wide network of automated teller machines, and online banking.

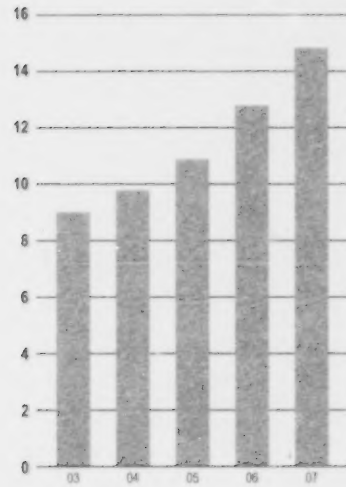
The Alberta credit union system had a year of outstanding growth, ending the year with assets of \$14.8 billion.

The system's capital base experienced strong growth of 13.6% in 2007, and membership growth continued its upward trend.

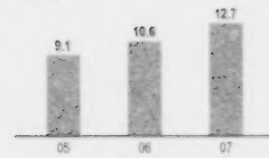
Alberta credit unions demonstrated superior financial performance in 2007 by reaching \$153 million in net income before taxes and dividends, while continuing to focus on maintaining a high level of member satisfaction.

ALBERTA CREDIT UNION ASSETS

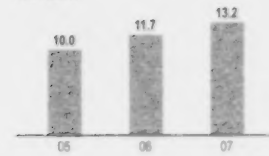
(BILLIONS OF DOLLARS)



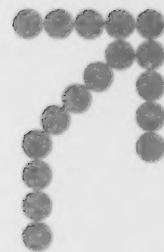
LOANS



DEPOSITS



ASSET GROWTH



Alberta Credit Unions

Credit union assets grew by 15.8% during the year, reaching \$14.8 billion as of October 31, 2007. This strong performance was achieved through solid deposit growth of 12.8%. Loan growth of \$2.0 billion exceeded deposit growth of \$1.5 billion causing system liquidity levels to decline. The largest loan growth occurred in the residential mortgage category, which increased by \$1.3 billion, or 23.7%. Residential mortgages represent 55% of total system loans. The most significant growth in deposits was in term deposits, which increased by \$914 million, or 18.6%. The effect of loan growth outpacing deposit growth for credit unions was that total non-statutory deposits at Central decreased by \$101 million during the year.

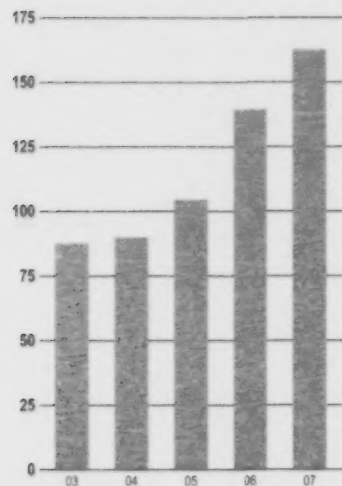
15.8%

ALBERTA CREDIT UNION EARNINGS

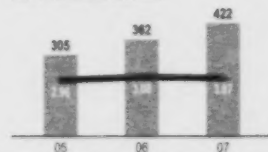
Credit unions surpassed the previous year's record earnings of \$140 million with an impressive achievement of \$163 million in earnings in 2007. Financial margin declined slightly to 3.07% of average assets from 3.08% in 2006. Other income declined to 0.80% of average assets from 0.87% the previous year. While operating costs were up by \$39 million, growth in the system helped improve efficiencies, as operating expenses as a percentage of average assets improved from 2.70% in 2006 to 2.59% in 2007. Credit union allowances for loan losses increased to 0.10% in 2007 from 0.07% in 2006. Total delinquency remained steady in 2007 at 0.32% from 0.30% in the previous year.

ALBERTA CREDIT UNION EARNINGS

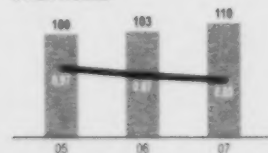
(MILLIONS OF DOLLARS)



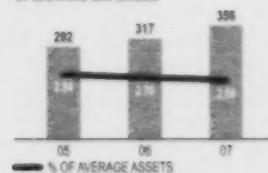
NET FINANCIAL INCOME



OTHER INCOME



OPERATING EXPENSES



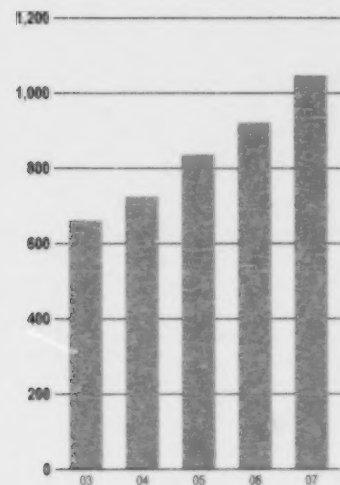
— % OF AVERAGE ASSETS

ALBERTA CREDIT UNIONS' EQUITY

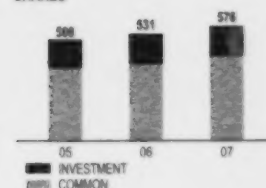
The strong performance of Alberta credit unions in 2007 was also reflected in changes in equity. Total equity increased \$124 million, from \$920 million in 2006 to \$1.04 billion in 2007. As a result of extremely strong asset growth in the system, equity as a percentage of total assets fell slightly from 7.2% in 2006 to 7.1% in 2007. The retained earnings component of equity increased \$81 million to \$468 million at the end of 2007.

ALBERTA CREDIT UNIONS' EQUITY

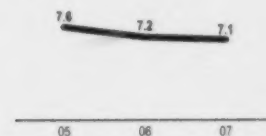
(MILLIONS OF DOLLARS)



SHARES

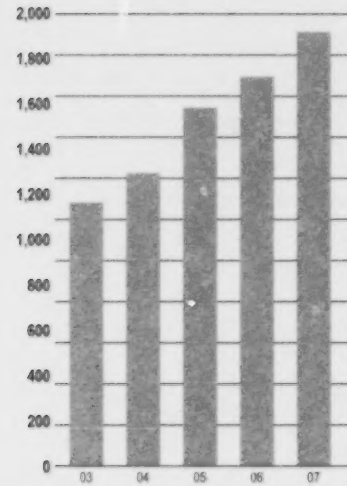


% OF ASSETS

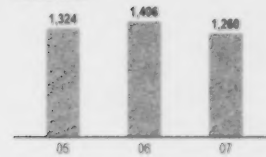


ALBERTA CENTRAL ASSETS

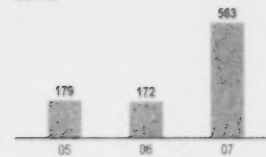
(MILLIONS OF DOLLARS)



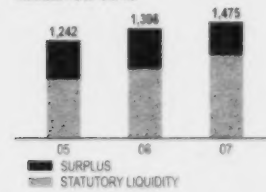
SECURITIES



LOANS



MEMBER DEPOSITS



ASSET GROWTH



Alberta Central

Alberta Central's assets increased in 2007, continuing the strong growth seen last year. Consolidated assets closed the year at \$1.9 billion, up 11.6% from \$1.7 billion in 2006. Credit union growth led to increases in required liquidity investment levels which was a significant contributor to Central's asset growth. Credit union deposits in Central increased by 5.5% over the previous year to \$1.49 billion. The strong loan growth for credit unions affected Alberta Central's assets with a decrease in total investments from \$1.41 billion at the end of 2006 to \$1.26 billion at the end of 2007. In contrast, total loans increased significantly from \$172 million in 2006 to \$563 million in 2007.

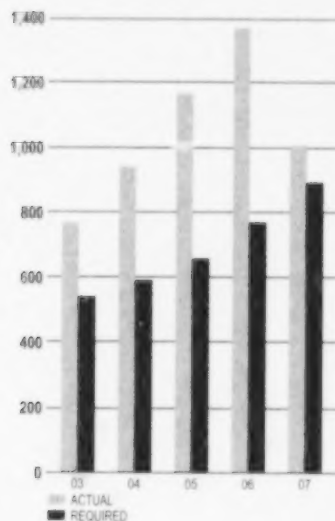
11.6%

OPERATING LIQUIDITY

The demand for liquidity for lending purposes by the system translates to a decrease in Alberta Central's operating liquidity. Alberta Central monitors its liquidity level to ensure that the statutory requirement of liquid assets of at least 6% of credit union system assets is maintained, and to ensure that sufficient funds are in place to meet the needs of credit union members' clearing requirements. The statutory requirement was exceeded by \$122 million at the end of 2007. Central's liquidity position was impacted by the third party asset backed commercial paper disruption, as Central's holdings of \$224 million were removed from available liquidity sources. Central is confident that a market will evolve for these investments once the restructuring is complete.

ALBERTA CENTRAL OPERATING LIQUIDITY

(MILLIONS OF DOLLARS)



% OF CREDIT UNION ASSETS

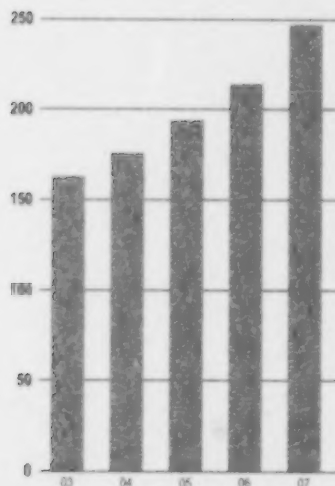


MEMBERS' EQUITY

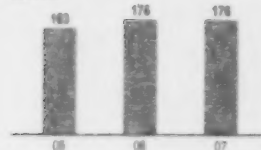
Members' equity increased to \$246 million at December 31, 2007 as compared to \$214 million at the end of 2006. The majority of this growth was through retained earnings, which grew by \$31.7 million in 2007. Credit union share capital at Central equalled 1.19% of system assets at the end of 2007. Credit unions are now required to maintain 1% of previous year end assets in common shares.

ALBERTA CENTRAL MEMBERS' EQUITY

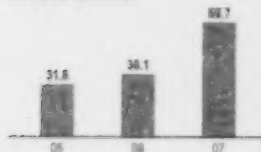
(MILLIONS OF DOLLARS)



SHARES



RETAINED EARNINGS



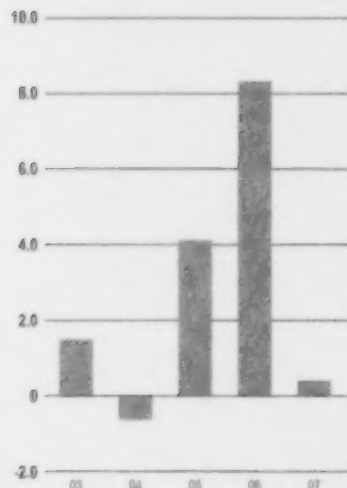
NET OPERATING INCOME

Alberta Central's operating revenues and expenses arise from Alberta Central's own operations plus the proportionate share of the operating revenues and expenses of its joint ventures. A good portion of Central's net operation results currently stem from the joint ventures in which Central participates. Alberta Central's proportional share of the following joint ventures is included in the consolidated results: CU Electronic Transaction Services, CUPS Payment Services, and Celero Solutions. Net operations, including discontinued CUETS operations, resulted in a positive income of \$418 thousand in 2007.

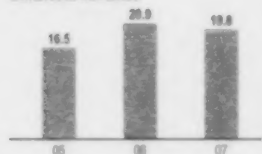
On October 1, 2007 the CUETS joint venture sold its net assets related to the retail credit card business to CUETS Financial Inc., a wholly owned subsidiary of MBNA Canada Bank. The discontinued operating results reported in Central's financial statements include the CUETS joint venture results from the retail card business to September 30, 2007 and the subsequent gain on the sale. The gain amounted to \$56.7 million net of income taxes.

ALBERTA CENTRAL NET OPERATING INCOME

(MILLIONS OF DOLLARS)



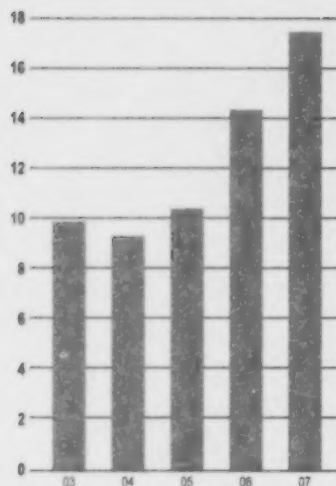
EXTERNAL REVENUE



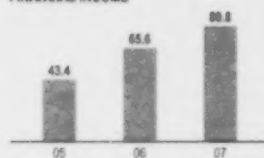
NET FINANCIAL INCOME

The average prime interest rate increased by 34 basis points in 2007. Although increased rates had a small impact on improved margins at Central, the more significant improvement came from asset growth and Central's asset mix. Growth in the loan portfolio was the major contributor to the higher levels of financial income in 2007. Net financial income increased from \$14.3 million in 2006 to \$17.4 million in 2007.

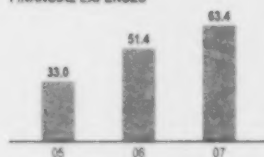
**ALBERTA CENTRAL
NET FINANCIAL INCOME**
(MILLIONS OF DOLLARS)



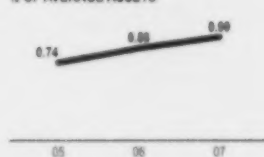
FINANCIAL INCOME



FINANCIAL EXPENSES



% OF AVERAGE ASSETS



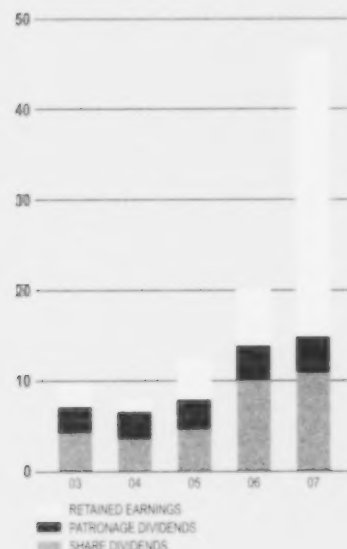
EARNINGS DISTRIBUTION

Alberta Central's earnings were impacted by two significant events in 2007. In addition to the \$56.7 million gain from the CUETS sale Alberta Central was also impacted by the asset backed commercial paper disruption. Alberta Central recorded a \$33.3 million provision against its holdings in asset backed commercial paper.

The chart provides a history of Alberta Central's earnings and dividend distributions over the last five years. The changes in common share dividends are a function of changes in rates along with changes in common share balances, with changes in rates being the more significant factor. In 2006, Alberta Central began budgeting dividends at a rate of prime minus 1%, up from a previous level of prime minus 1.5%. Actual dividends in 2006 and 2007 were paid at prime. Share dividends for 2007 were \$10.8 million. In the last five years, share dividends have totalled \$32.8 million.

The patronage distribution for 2007 was \$4 million equalling the amount distributed in 2006. This represents a rebate of 8.2% on all products and services credit unions purchased from Alberta Central, plus a bonus of 8 basis points on deposits and a rebate of 8 basis points on loans. In the last five years patronage dividends have totalled \$17.4 million.

**ALBERTA CENTRAL
EARNINGS DISTRIBUTION**
(MILLIONS OF DOLLARS)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Credit Union Central Alberta Limited (Alberta Central) were prepared by management, who are responsible for the integrity and fairness of the data presented. Generally accepted accounting principles have been applied and management has exercised its judgement and made best estimates where deemed appropriate. Financial information appearing throughout this annual report is consistent with the financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance that the financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all aspects of Alberta Central's operations.

Both the federal and provincial regulators of financial institutions conduct examinations and make such enquiries into the affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The Audit and Finance Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements before such financial statements are approved by the Board of Directors and submitted to the members of Alberta Central. The Committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for improvements in internal control. The Committee is also responsible for recommending the appointment of the external auditors to the Board of Directors.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of Alberta Central in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the members. The auditors have full access to, and meet periodically with, the Audit and Finance Committee to discuss audit matters.

February 22, 2008



Graham Wettler
President & CEO



B. J. Johnson
Executive Vice-President

ALBERTA CENTRAL
CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet	31
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Consolidated Statements of Members' Equity and Comprehensive Income	33
Consolidated Statement of Cash Flows	34
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AUDITORS' REPORT

To the Members of
Credit Union Central Alberta Limited

We have audited the consolidated balance sheet of Credit Union Central Alberta Limited as at December 31, 2007 and the consolidated statements of earnings, members' equity and comprehensive income and cash flows for the year then ended. These consolidated financial statements are the responsibility of Credit Union Central Alberta Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central Alberta Limited as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 22, 2008

CONSOLIDATED BALANCE SHEET

DECEMBER 31 (THOUSANDS OF DOLLARS)

	2007	2006
Assets		
Cash and items in transit	\$ 60,911	\$ 88,573
Securities (Note 2)	1,260,058	1,406,392
Accounts receivable and other assets	4,713	9,266
Loans (Note 3)	562,639	172,196
Capital assets (Note 4)	3,258	2,786
Derivative financial assets	14,947	—
Assets of discontinued operations (Note 17)	7,748	34,829
	\$ 1,914,274	\$ 1,714,042
Liabilities		
Accounts payable and accrued liabilities	\$ 18,280	\$ 12,442
Members' deposits (Note 5)	1,487,679	1,409,558
Loans and notes payable (Note 6)	139,676	49,908
Derivative financial liabilities	14,947	—
Liabilities of discontinued operations (Note 17)	7,454	27,688
	1,668,036	1,499,596
Members' Equity		
Common share capital (Note 9)	176,377	176,376
Retained earnings	69,742	38,070
Accumulated other comprehensive income	119	—
	246,238	214,446
	\$ 1,914,274	\$ 1,714,042

Commitments (Note 14)

Subsequent event (Note 18)

See accompanying notes.

Signed on behalf of the Board



G. Penny Reeves, Chair



Rene Dumas, First Vice Chair

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31 (THOUSANDS OF DOLLARS)

	2007	2006
Financial income		
Interest on securities	\$ 59,964	\$ 57,801
Interest on loans	20,647	7,842
	80,611	65,643
Financial expenses		
Interest on members' deposits	60,599	49,855
Interest on loans and notes	2,787	1,534
	63,386	51,389
	17,425	14,254
Recovery of (provision for) credit and investment losses	(140)	160
	17,285	14,414
Operating income (Note 11)	13,485	16,769
Operating expenses (Note 11)	(20,444)	(18,982)
Earnings before patronage dividends and the under noted	10,326	12,201
Patronage dividends (Note 12)	4,000	4,000
Earnings before the under noted	6,326	8,201
Provision for impairment on third party ABCP (Note 2)	(33,340)	—
Earnings (loss) before income taxes	(27,014)	8,201
Income taxes (Note 13)		
Current income tax expense (recovery)	(4,757)	1,325
Future income tax expense (recovery)	(571)	346
	(5,328)	1,671
Net earnings (loss) for the year from continuing operations	(21,686)	6,530
Gain on sale of retail credit card business, net of income tax (Note 17)	56,664	—
Earnings from discontinued operations, net of income tax (Note 17)	5,271	7,549
Net earnings for the year	\$ 40,249	\$ 14,079

See accompanying notes.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31 (THOUSANDS OF DOLLARS)

	2007	2006
Member Shares		
Balance, end of year (Note 9)	\$ 176,377	\$ 176,376
Accumulated Other Comprehensive Income		
Balance, beginning of year	\$ —	\$ —
Adjustment on implementation of new accounting standards (Note 1)	88	—
Restated opening accumulated other comprehensive income	88	—
Change in unrealized gains and (losses) on available-for-sale securities, (net of income tax of \$10)	31	—
Other comprehensive income, net of income tax	31	—
Balance, end of year	\$ 119	\$ —
Retained Earnings		
Balance, as previously reported	\$ 38,070	\$ 31,832
Adjustment on implementation of new accounting standards (Note 1)	5	—
Restated opening retained earnings	38,075	—
Net earnings for the year	40,249	14,079
Share dividends (Note 12)	(10,760)	(9,871)
Recovery of income tax on share dividends	2,178	2,030
Balance, end of year	\$ 69,742	\$ 38,070
Total Members' Equity	\$ 246,238	\$ 214,446
Comprehensive income		
Net earnings for the year	\$ 40,249	\$ 14,079
Other comprehensive income	31	—
Comprehensive income	\$ 40,280	\$ 14,079

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31 (THOUSANDS OF DOLLARS)	2007	2006
Cash resources provided by (used in):		
Operating activities		
Net earnings for the year	\$ 40,249	\$ 14,079
Earnings from discontinued operations (Note 17)	(5,271)	(7,549)
Gain on sale of retail credit card business (Note 17)	(56,664)	–
Items not affecting cash:		
Depreciation and amortization	875	1,269
Future income tax expense (recovery)	(785)	346
Provision for impairment on third party ABCP	33,340	–
Provision for (recovery of) credit and investment losses	140	(160)
	11,884	7,985
Changes in non-cash operating components	11,176	(5,926)
Cash flows from operating activities of continuing operations	23,060	2,059
Cash flows from operating activities of discontinued operations	6,847	6,642
	29,907	8,701
Financing activities		
Increase in members' deposits	78,121	158,299
Increase (decrease) in loans and notes payable	89,768	(42,530)
Issuance of share capital, net of redemptions	1	13,863
Payment of share dividends	(10,760)	(9,871)
Reduction of income tax on payment of share dividends	2,178	2,030
Financing activities from discontinued operations	–	(2,604)
	159,308	119,187
Investing activities		
Decrease (increase) in securities	267,312	(129,452)
Decrease (increase) in loans	(390,583)	6,863
Acquisition of capital assets	(1,347)	(460)
Proceeds from sale of retail credit card business (Note 17)	60,276	–
Investing activities from discontinued operations	1,659	2,221
	(62,683)	(120,828)
Increase in cash resources	126,532	7,060
Cash resources, beginning of year	556,904	549,844
Cash resources, end of year	\$ 683,436	\$ 556,904
Cash resources consist of:		
Cash	\$ 39,215	\$ 58,820
Cheques and other items in transit	21,696	29,753
Securities maturing within three months	622,525	468,331
	\$ 683,436	\$ 556,904

See accompanying notes.

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Credit Union Central Alberta Limited (Alberta Central) have been prepared in accordance with generally accepted accounting principles in Canada including the accounting requirements of the Superintendent of Financial Institutions Canada (OSFI) and Alberta Finance. The financial statements include the accounts of Alberta Central and its proportionate share in the assets, liabilities, revenues and expenses of its joint ventures, and reflect the following policies, which conform, in all material respects to Canadian generally accepted accounting principles:

a) Changes in accounting policies

Effective January 1, 2007, Alberta Central adopted new accounting standards issued by the CICA:

- Section 1530, Comprehensive Income;
- Section 3855, Financial Instruments – Recognition and Measurement;
- Section 3861, Financial Instruments – Disclosure and Presentation and
- Section 3865, Hedges

Prior to adopting these new standards, Alberta Central accounted for its financial assets and financial liabilities on an accrual basis at amortized cost. The adoption of the new standards has resulted in changes in Alberta Central's accounting for financial instruments.

Financial assets and liabilities

Under the new standards, all financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. All financial liabilities are classified as held for trading or other financial liabilities. Management determines the classification of its investments at initial recognition.

Held for trading

A financial asset or liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

OSFI has issued Guideline D-10 *Accounting for Financial Instruments Designated as Fair Value Option* which provides application guidance in designating a financial instrument as held for trading upon initial recognition. The guideline provides further recognition and measurement criteria and disclosure requirements that are consistent with international accounting standards. Subject to requirements under OSFI guidelines, Alberta Central may designate any financial instrument as held for trading on initial recognition or adoption of the new standard if fair value can be reliably determined, irrespective of whether the instrument would otherwise qualify as held for trading.

All financial assets and liabilities classified or designated as held for trading are measured at fair value with changes in fair value (unrealized gains or losses) recognized in earnings. Any interest earned (or incurred) continues to be recognized on an accrual basis as interest income (or expense).

On transition, securities with a carrying value of \$262,669 were designated as held for trading.

Available for sale

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets classified as available for sale are measured at fair value with changes in fair value (unrealized gains or losses) recognized in other comprehensive income rather than earnings. Changes in fair value are accumulated under a new balance sheet category called accumulated other comprehensive income. When unrealized gains and losses become realized through sale or impairment, they are reclassified from accumulated other comprehensive income to earnings. Any interest earned continues to be recognized on an accrual basis as interest income. Securities classified as available for sale which do not have a readily available market value are recorded at cost.

On transition, securities with a carrying value of \$1,138,822 were designated as available for sale.

Held to maturity

Held to maturity financial assets have fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If Alberta Central were to sell other than an insignificant amount of held to maturity assets, the entire category would be reclassified as available for sale. Held to maturity financial assets are measured at amortized cost.

On transition, no financial assets were classified as held to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that Alberta Central intends to sell immediately or in the short term, or those designated as available for sale. Financial assets classified as loans and receivables are accounted for at amortized cost.

On transition, financial assets with a carrying value of \$4,902 were designated as loans and receivables.

Other financial liabilities

Financial liabilities, except for derivatives, are measured at amortized cost unless classified as held-for-trading (or designated as such under the fair value option).

On transition, all financial liabilities were classified as other financial liabilities.

Fair values for financial instruments traded in an active market have been determined by the quoted market bid price. Where independent quoted market prices are not available, fair values have been determined based on the quoted market price for similar securities or through valuation techniques.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading and are capitalized upon initial recognition for other financial instruments.

Other comprehensive income is included on the consolidated balance sheet as a separate component of members' equity and includes unrealized gains and losses on available for sale securities and where applicable, unrealized gains and losses on cash flow hedging instruments.

Embedded Derivatives

Embedded derivatives are components within a financial instrument or other contract that have features similar to a derivative. Embedded derivatives must be separated from the host instrument and accounted for separately if the economic risks and characteristics of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument and the host instrument is not already measured at fair value with changes in fair value recognized in earnings. Where Alberta Central is required to separate an embedded derivative from its host instrument but is unable to measure the fair value of the embedded derivative separately, the entire instrument is treated as a held for trading financial instrument measured at fair value with changes in fair value measured in net income.

The transitional provisions for the new standards require prospective application and re-measuring certain financial instruments at fair value effective January 1, 2007 with adjustments recorded in opening retained earnings and accumulated other comprehensive income. Results for prior periods have not been restated.

The following table summarizes the transition adjustments recorded upon the adoption of the new standards on January 1, 2007:

	Retained Earnings		Accumulated Other Comprehensive Income	
	Gross	Net of Income Tax	Gross	Net of Income Tax
Classification of securities as:				
Available for sale			\$ 115	\$ 88
Held for trading	\$ 6	\$ 5		

b) Provision for losses

Alberta Central maintains allowances for impairment to absorb losses in its securities and loan portfolios. These allowances are determined by regular management reviews of each security and loan to identify impairment. Specific allowances are recorded to reduce the carrying amount of securities and loans to their estimated realizable values. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the securities and loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to the fair value of any underlying security or market price for loans and securities. In addition, a non-specific allowance based on management's estimates and an overall evaluation of risk in the loan portfolio is made in recognition for losses not specifically identified on an item-by-item basis.

c) Equity investment

Alberta Central uses the equity method to account for an investment over which it exercises significant influence. Under this method, Alberta Central's share of the net earnings (loss) of the investment is recorded in operating income. The book value of the investment is adjusted for the share of earnings and distributions received from the investee. Investments are written down to recognize losses in the value of the investment that are other than temporary.

d) Depreciation and amortization

Capital assets are depreciated on a straight-line basis over periods ranging from three to ten years.

e) Income taxes

Alberta Central follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The future tax assets and liabilities are calculated using substantively enacted tax rates that will be in effect when the differences are expected to reverse.

f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

g) Variable interest entities

The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG 15") "Consolidation of Variable Interest Entities" ("VIEs") provides guidance for applying the principles in CICA Handbook Section 1590 "Subsidiaries" to VIEs. AcG 15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. AcG 15 defines the Primary Beneficiary as the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both. The Primary Beneficiary is required to consolidate the VIE.

As a result of applying AcG 15, it was determined that CUETS, one of Alberta Central's proportionately consolidated joint ventures, is the primary beneficiary of CUETS Acquiring Inc. and therefore CUETS Acquiring Inc. is consolidated with CUETS (note 17).

h) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to dispose. Assets and liabilities classified as held for sale are reported separately on the balance sheet. Components of Alberta Central held for sale are reported as discontinued operations if the operations and cash flows of the components will be eliminated from the ongoing operations as a result of the disposal transaction and Alberta Central will not have continuing involvement in the operations of the components after the disposal transaction (note 17).

i) Future accounting changes

The CICA has also issued three new accounting standards which will be effective for Alberta Central on January 1, 2008.

Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* will replace Section 3861, *Financial Instruments – Disclosure and Presentation*. The new sections require disclosures of both qualitative and quantitative information to enable users of financial statements to evaluate the nature and extent of risks arising from financial instruments and how those risks are managed.

Section 1535, *Capital Disclosures* requires the disclosure of information related to the objectives, policies and processes for managing capital.

2. SECURITIES

	2007	2006
Government	\$ 138,035	\$ 144,083
Corporate	1,100,142	1,239,434
Credit Union Central of Canada	3,645	3,685
Mortgage pooling funds	4,578	4,810
	1,246,400	1,392,012
Accrued interest receivable	13,658	14,380
	\$ 1,260,058	\$ 1,406,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

	2007		2006	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Securities designated as held for trading	\$ 196,082	\$ 196,102	\$ 262,675	\$ 262,668
Securities classified as available for sale	1,059,376	1,059,222	1,138,940	1,138,822
Securities designated as loans and receivables	4,600	4,599	4,902	4,902
	\$ 1,260,058	\$ 1,259,923	\$ 1,406,517	\$ 1,406,392

In accordance with the National Liquidity Fund Agreement, investments with a fair value of \$265,997 (2006 – \$213,093) are maintained in a segregated safekeeping account.

Alberta Central has a contractual obligation to provide capital and liquidity support for credit card receivables held by Concentra Financial Services Association. As at December 31, 2007, \$21,234 (2006 – \$110,234) of the above investments were made under this agreement.

The Canadian market for non-bank sponsored asset-backed commercial paper suffered a liquidity disruption in mid-August 2007, following which a group of financial institutions and other parties agreed in principle under the Montreal Accord ("Accord") to a long-term proposal and interim agreement to convert the affected ABCP ("Accord ABCP") into long-term floating rate notes maturing no earlier than the scheduled maturity of the underlying assets. A Pan-Canadian Investors Committee, consisting of major investors, was subsequently established to oversee the orderly restructuring of these instruments and has retained legal and financial advisors to oversee the proposed restructuring process. Alberta Central is a member of the Pan-Canadian Investors Committee. Trading of units of the trusts that had issued Accord ABCP has ceased and, under a Standstill Agreement extending to February 22, 2008, investors have committed not to take any action that would precipitate an event of default.

At the dates of acquisition, these short term investments were rated R1 (High) by Dominion Bond Rating Service ("DBRS"), the highest credit rating issued for commercial paper.

The Accord ABCP in which Alberta Central has invested continues to be rated R1 (High, Under Review with Developing Implications) by DBRS. They have not traded in an active market since mid-August 2007 and there are currently no market quotations available.

On December 23, 2007, the Pan-Canadian Investors Committee provided an overview of the proposed restructuring plan. Based on this and other public information, it is estimated that, of the \$224,500 principal amount of Accord ABCP in which Alberta Central has invested:

- \$39,700 represented by traditional securitized assets will be restructured as floating rate notes with an average maturity of 7 years and which are expected to receive a midterm AAA or AA rating;
- \$175,300 represented by a combination of collateralized debt obligations, synthetic assets and traditional securitized assets will be restructured as senior and subordinated floating rate notes with an average maturity of 7 years. The senior notes are expected to receive a midterm AAA rating while the subordinated notes are not expected to be rated;
- \$9,500 represented by assets with exposure to US sub-prime or home equity loan mortgages will be restructured as floating rate notes with an average maturity of 7 years. These notes are not expected to be rated.

Alberta Central has estimated the fair value of these assets using a probability weighted discounted cash flow valuation model incorporating management's best estimates of credit risk attributable to underlying assets, market interest rates and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the public statements made by the Pan-Canadian Investors Committee that it expects the Accord ABCP will be converted into long-term floating rate notes, as noted above, with maturities matching the maturities of the underlying assets and bearing market interest rates commensurate with the nature of the underlying assets and their associated cash flows and the credit rating and risk associated with the long-term floating rate notes.

Assumptions have been made as to the long-term interest rates to be received from the long-term floating rate notes. Assumptions have also been made as to the amount of restructuring costs that Alberta Central will bear, based on actual costs incurred to December 31, 2007.

Based on these assumptions, Alberta Central recorded a reduction in the fair value of the Accord ABCP of \$33,340. At December 31, 2007, the estimated fair value of the Accord ABCP was \$191,160 and was included in securities.

As the fair value of Accord ABCP has been estimated using a probability weighted discounted cash flow model based on the assumptions noted above, it is reasonably possible that changes in conditions in the near term could require a material change in the recognized amount.

3. LOANS

	2007	2006
Credit unions	\$ 383,858	\$ 65,098
Cooperatives	1,284	1,359
Commercial loans and mortgages	149,590	81,770
Celero Solutions (Note 8)	22,304	17,904
Employee mortgages	5,251	6,254
	562,287	172,385
Less: non-specific allowance	(755)	(615)
	561,532	171,770
Accrued interest receivable	1,107	426
	\$ 562,639	\$ 172,196

4. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	\$ 4,525	\$ 4,288	\$ 237	\$ 449
Operating software and development costs	4,915	3,646	1,269	595
Leasehold improvements	5,166	4,168	1,000	864
Furniture and fixtures	2,906	2,154	752	878
	\$ 17,512	\$ 14,254	\$ 3,258	\$ 2,786

5. MEMBERS' DEPOSITS

	2007	2006
Current accounts and demand deposits	\$ 81,840	\$ 91,037
Money market deposits	338,821	431,291
Statutory liquidity deposits	1,054,786	874,075
	1,475,447	1,396,403
Accrued interest payable	12,232	13,155
	\$ 1,487,679	\$ 1,409,558

6. LOANS AND NOTES PAYABLE

	2007	2006
Commercial paper	\$ 96,044	\$ 49,908
Credit Union Central of Canada	43,632	—
	\$ 139,676	\$ 49,908

Alberta Central has entered into an agreement with Credit Union Central of Canada for a line of credit to a maximum of \$50,000. Pursuant to the terms of the National Liquidity Fund Agreement, Alberta Central is obliged to provide a general security interest over Alberta Central's property on demand by Credit Union Central of Canada to secure this line of credit. Amounts are due on demand and bear interest at rates established by the Credit Union Central of Canada Board of Directors. At December 31, 2007, the rate was the bank prime rate less 1.75% per annum.

Alberta Central is authorized to issue commercial paper to a maximum of \$250,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

7. JOINT VENTURE

Alberta Central has a 50% interest in Credit Union Payment Services, a payment processing joint venture.

Alberta Central's proportionate share of its investment in the Credit Union Payment Services joint venture before inter-entity eliminations is summarized below.

	2007	2006
Balance Sheet:		
Cash	\$ —	\$ 472
Accounts receivable and other assets	692	208
Capital assets	1,097	749
	\$ 1,789	\$ 1,429
Bank indebtedness	\$ 220	\$ —
Accounts payable and accrued liabilities	763	655
Equity	806	774
	\$ 1,789	\$ 1,429
Statement of Earnings:		
Operating income	\$ 7,790	\$ 7,919
Operating expenses	6,984	7,145
Earnings for the year	\$ 806	\$ 774
Statement of Cash Flows:		
Cash flows resulting from (used in):		
Operating activities	\$ 518	\$ 1,608
Financing activities	(597)	(993)
Investing activities	(613)	(215)
Increase (decrease) in cash resources	\$ (692)	\$ 400

8. EQUITY INVESTMENT

Alberta Central has a 41.9% direct interest in Celero Solutions (Celero) which is a joint venture of Alberta Central and various other cooperative entities for the purpose of providing information technology services. While Celero is legally structured as a joint venture, it does not qualify as such for accounting purposes. Accordingly, Alberta Central accounts for its investment in Celero on the equity basis. Prior to October 1, 2007, Alberta Central had a 33.4% direct and an 8.5% indirect interest in Celero through its participation in the CUETS joint venture (note 17).

Alberta Central is liable in proportion to its indirect interest in Celero's 49% subsidiary Everlink, for all of Everlink's covenants and obligations under an *Asset Purchase Agreement* and ancillary agreements relating to Everlink's acquisition of switching assets. These covenants and obligations expire in 2012 and 2013 respectively. Alberta Central has entered into financing agreements with Everlink, consisting of a line of credit to a maximum of \$2,000 and an authorized overdraft facility to a maximum of \$6,375 Canadian and \$100 US. Celero has provided a guarantee on these agreements in proportion to its interest in Everlink. At December 31, 2007 there were no draws against the line of credit or the authorized overdraft facility.

Celero has entered a *Software License Agreement* in respect of a new banking platform for Celero's credit union clients under which Celero is committed to pay \$4,749 in software license fees over the next year. Celero is also committed under the terms of the agreement to pay a total of \$23,833 in software maintenance fees over the next eight years. Celero has entered into agreements with credit unions to recover these costs through license and operating fees over the term of the agreement.

Pursuant to various addendums to the *Software License Agreement*, Celero is committed to pay \$11,302 in ancillary product maintenance and support fees over the next eight years.

Alberta Central is liable in proportion to its ownership interest in Celero, for all of Celero's covenants and obligations under these agreements.

Celero's operations are funded by loans from its owners (note 3) bearing interest at the prime rate.

Under a *Joint Venture Lender Agreement* dated December 17, 2007, Celero has a line of credit facility to a maximum of \$40,000 with interest payable monthly at the Canadian prime rate. Alberta Central, SaskCentral, and Manitoba Central share equally in the provision and repayment of funds.

Under the terms of the same agreement, Celero also has a \$5,000 overdraft facility with Alberta Central bearing interest at the Canadian prime rate.

To December 31, 2007, Celero had drawn \$13,200 on the line of credit facility and nil on the overdraft facility. The facilities are secured by a General Security Agreement over all assets of Celero. All liabilities of Celero remain a liability of each owner in proportion to its ownership interest.

Alberta Central charged Celero \$4,073 (2006 – \$3,336) for various administrative and facilities services. Celero charged Alberta Central \$758 (2006 – \$528) for information technology services. At December 31, 2007, Alberta Central had a receivable of \$37 from Celero (2006 – \$97) in respect of operating activities. Alberta Central's share of Celero's loss for the year ended December 31, 2007 amounted to (\$5,873) (2006 – (\$1,478)) and is included in operating income. Alberta Central's equity investment in Celero is included in accounts payable and accrued liabilities.

9. COMMON SHARE CAPITAL

Authorized – unlimited number at \$5 per share.

Issued and outstanding – 35,275,345 shares (2006 – 35,275,285).

	2007	2006
Balance, beginning of the year	\$ 176,376	\$ 162,513
Issued	1	13,872
Redeemed	–	(9)
Balance, end of the year	\$ 176,377	\$ 176,376

Alberta Central's bylaws require member credit unions to maintain common share capital in Alberta Central in an amount equal to one percent (1.0%) of each credit union's assets as at the end of the credit union's most recent fiscal year. A credit union may not redeem share capital or reduce its investment to 1.0% of its assets if it has share capital in excess of that amount.

10. INTEREST RATE SENSITIVITY

	Less than 1 year	From 1 – 5 years	Greater than 5 years	Non-Interest Sensitive	Total
Assets					
Cash resources	\$ 33,665	\$ –	\$ –	\$ 27,246	\$ 60,911
Securities	1,248,207	10,081	21,234	(19,464)	1,260,058
Loans	438,809	123,477	–	353	562,639
Other assets	–	–	–	30,666	30,666
	\$ 1,720,681	\$ 133,558	\$ 21,234	\$ 38,801	\$ 1,914,274
Weighted average interest rate	4.44%	5.18%	4.70%		4.38%
Liabilities & members' equity					
Members' deposits	\$ 1,444,270	\$ 24,155	\$ –	\$ 19,254	\$ 1,487,679
Loans and notes payable	139,456	–	–	220	139,676
Other liabilities	–	–	–	40,681	40,681
Members' equity	176,377	–	–	69,861	246,238
	\$ 1,760,103	\$ 24,155	\$ –	\$ 130,016	\$ 1,914,274
Weighted average interest rate	4.56%	3.52%			4.21%
Total interest rate sensitivity gap	\$ (39,422)	\$ 109,403	\$ 21,234	\$ (91,215)	\$ –
Cumulative interest rate sensitivity gap	\$ (39,422)	\$ 69,981	\$ 91,215	\$ –	\$ –

Alberta Central uses gap analysis and simulation modeling to monitor and manage interest rate risk. Gap analysis measures the difference between the amount of assets and liabilities that re-price in a particular time period.

Alberta Central's interest rate sensitivity position as at December 31, 2007, as presented above, is based upon the contractual repricing and maturity dates of assets and liabilities. The table shows the cumulative gaps at various intervals. Consistent with the assumption that Accord ABCP will be converted to floating rate notes (note 2), the related assets have been grouped in the 'less than one year' category, reflecting management's assumption that the interest rate will re-price during that time period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

11. OPERATING INCOME AND OPERATING EXPENSES

	2007	2006
Operating income		
Financial services	\$ 5,846	\$ 9,760
Member dues	3,075	2,907
Other	4,564	4,102
	\$ 13,485	\$ 16,769
Operating expenses		
Personnel	9,632	8,682
Property and equipment	4,079	4,342
Administration and other	4,910	4,274
Organization	1,823	1,684
	\$ 20,444	\$ 18,982

12. DIVIDENDS

Share capital dividends of \$10,760 (2006 – \$9,871) were calculated using members' minimum monthly common share capital account balances and the average monthly prime interest rate.

Patronage dividends of \$4,000 (2006 – \$4,000) were calculated using a formula based on the usage of products and services provided by Alberta Central and its joint ventures.

13. INCOME TAXES

The combined federal and provincial substantively enacted income tax rate applicable to Alberta Central is 20.2% (2006 – 20.6%). Income taxes calculated at substantively enacted rates differ from the provision included in the statement of earnings for the following reasons:

	2007	2006
Income taxes (recovery) at substantively enacted rates	\$ (5,466)	\$ 1,689
Increase in income taxes (recovery) resulting from:		
Tax not recognized on income or loss from subsidiary of equity investment	(114)	17
Other	252	(35)
Provision for (recovery of) income taxes	\$ (5,328)	\$ 1,671

14. COMMITMENTS

Alberta Central is party to financial instruments with off-balance sheet risk that, in the normal course of operations, are used to meet its own and its credit union members' financial needs. These instruments include commitments to extend credit, standby letters of credit and financial guarantees. The amounts in the table below indicate the notional amounts of these off-balance sheet arrangements.

	2007	2006
Financial instruments whose contract amounts could represent credit risk:		
Commitments to extend credit	\$ 1,346,442	\$ 975,171
Standby letters of credit and financial guarantees	7,925	8,885

Alberta Central has the following operating lease commitments for premises ending December 31, 2011:

2008	\$ 2,764
2009	2,764
2010	2,764
2011	2,764
	\$ 11,056

15. PENSION PLANS

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of \$343 (2006 – \$334) is included in personnel expense.

16. DIRECTORS' REMUNERATION

	2007	2006
Remuneration paid to directors	\$ 163	\$ 134
Expenses paid on behalf of directors	153	127
	<u>\$ 316</u>	<u>\$ 261</u>

17. DISCONTINUED OPERATIONS

Prior to October 1, 2007, Alberta Central had a 50% interest in CU Electronic Transaction Services, a credit card processing entity. Effective October 1, 2007, the net assets related to the retail credit card business of the CU Electronic Transaction Services joint venture were sold to CUETS Financial Ltd., a wholly owned subsidiary of MBNA Canada Bank. The assets sold and consideration received was:

	Retail card business	Alberta Central's share
Assets sold		
Accounts receivable	\$ 1,037	\$ 519
Inventory	496	248
System development assets	6,792	3,396
Assumed liabilities	(2,927)	(1,464)
	<u>\$ 5,398</u>	<u>\$ 2,699</u>
Consideration received		
Cash	\$ 120,551	\$ 60,276
Accounts payable	(8,479)	(4,240)
	<u>\$ 112,072</u>	<u>\$ 56,036</u>
Gain on sale of retail credit card business before the under noted	\$ 106,674	\$ 53,337
Deferred gain on sale	(2,719)	(1,360)
Costs incurred on initiation of sale	(108)	(54)
Gain on sale before applicable taxes	\$ 103,847	\$ 51,923
Gain on sale of MasterCard Class B shares	8,880	3,996
Earnings from investment in Concenra Financial Class C shares	17,361	8,681
Total gain on sale of retail credit card business before income tax	\$ 130,088	\$ 64,600
Income tax		7,936
Gain on sale of retail credit card business, net of income tax		<u>56,664</u>

Also during the current year, Alberta Central's board of directors committed to a plan to sell its interest in its merchant acquiring business (note 18).

The related assets and liabilities have been reported as assets of discontinued operations and liabilities of discontinued operations on the consolidated balance sheet. The related results of operations have been presented as discontinued operations in the consolidated statement of earnings and cash flows for the periods presented. Comparative figures have been reclassified in order to comply with this presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007 (THOUSANDS OF DOLLARS)

Alberta Central's proportionate share of the carrying values of the net assets related to the discontinued operations after inter-entity eliminations is summarized below:

	2007	2006
Cash	\$ 2,195	\$ 22,344
Accounts receivable	510	6,726
Investments	4,524	719
Capital assets	466	4,079
Other assets	53	961
	\$ 7,748	\$ 34,829
Accounts payable and accrued liabilities	\$ 7,454	\$ 27,688
Undistributed equity	294	7,141
	\$ 7,748	\$ 34,829

The earnings from discontinued operations of the retail credit card and merchant acquiring businesses are summarized as follows:

	2007	2006
Operating income	\$ 27,069	\$ 35,634
Operating expenses	19,692	25,120
Earnings from discontinued operations before income tax	\$ 7,377	\$ 10,514
Income tax	2,106	2,965
	\$ 5,271	\$ 7,549

18. SUBSEQUENT EVENT

Subsequent to year end, Alberta Central sold its interest in its merchant acquiring business (note 17). Its share of the gross proceeds was \$8,738 and resulted in a gain of approximately \$5,007. Subsequent to the sale, Alberta Central is not expected to have any significant ongoing operations in the merchant acquiring business.

19. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the current year's presentation.

BALANCE SHEET

AS AT OCTOBER 31 (MILLIONS OF DOLLARS)

	2007	2006	2005	2004	2003
Assets					
Cash and securities	\$ 1,846	\$ 1,893	\$ 1,631	\$ 1,512	\$ 1,400
Loans	12,672	10,648	9,090	8,153	7,467
Other	269	233	197	178	164
	\$ 14,787	\$ 12,774	\$ 10,918	\$ 9,843	\$ 9,031
Liabilities and equity					
Member deposits and borrowings	\$ 13,626	\$ 11,775	\$ 10,018	\$ 9,067	\$ 8,334
Other	116	79	66	55	39
Equity	1,045	920	834	721	658
	\$ 14,787	\$ 12,774	\$ 10,918	\$ 9,843	\$ 9,031

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEARS ENDED OCTOBER 31 (MILLIONS OF DOLLARS)

	2007	2006	2005	2004	2003
Financial income	\$ 797	\$ 642	\$ 523	\$ 491	\$ 489
Financial expenses	375	280	218	211	213
Net financial income before provisions	422	362	305	280	276
Provision for losses	13	8	8	9	10
Net financial income	409	354	297	271	266
Other income	110	103	100	88	81
Gross margin	519	457	397	359	347
Operating expenses	356	317	292	269	260
Earnings before patronage dividends and income taxes	163	140	105	90	87
Patronage dividends	30	30	25	21	21
Earnings before income taxes	133	110	80	69	66
Income taxes	27	27	20	16	15
Earnings for the year	106	83	60	53	51
Retained earnings, beginning of year	387	325	282	247	211
Share dividends and redemptions	(31)	(27)	(22)	(20)	(17)
Recovery of income taxes	6	6	5	2	2
Retained earnings, end of year	\$ 468	\$ 387	\$ 325	\$ 282	\$ 247

STATISTICAL

Members	720,678	664,392	651,843	638,499	636,973
Staff (FTE)	3,122	2,943	2,723	2,633	2,589
Branches	211	209	208	205	201
ATMs	239	233	239	228	224

BALANCE SHEET

AS AT DECEMBER 31 (THOUSANDS OF DOLLARS)

	2007	2006	2005	2004	2003
Assets					
Cash and Securities	\$ 1,320,969	\$ 1,518,028	\$ 1,374,380	\$ 1,076,098	\$ 936,779
Loans	562,639	172,196	179,059	182,336	190,576
Other	30,666	23,818	22,416	37,809	32,883
Total Assets	\$ 1,914,274	\$ 1,714,042	\$ 1,575,855	\$ 1,296,243	\$ 1,160,238
Liabilities and Equity					
Deposits and Notes	\$ 1,627,355	\$ 1,459,466	\$ 1,343,697	\$ 1,084,984	\$ 978,429
Other	40,681	40,130	37,813	36,297	19,009
Equity	246,238	214,446	194,345	174,962	162,800
Total Liabilities and Equity	\$ 1,914,274	\$ 1,714,042	\$ 1,575,855	\$ 1,296,243	\$ 1,160,238

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31

(THOUSANDS OF DOLLARS)

	2007	2006	2005	2004	2003
Financial income	\$ 80,811	\$ 65,643	\$ 43,402	\$ 33,869	\$ 40,492
Financial expenses	63,386	51,389	33,008	24,588	30,635
Net financial income before provision for losses	17,425	14,254	10,394	9,281	9,857
Recovery of (provision for) credit and investment losses	(140)	160	—	249	(30)
Net financial income	17,285	14,414	10,394	9,530	9,827
Operating income	13,485	52,403	45,484	41,380	43,940
Operating expenses	20,444	44,102	41,381	42,007	42,753
	(6,959)	8,301	4,103	(627)	1,187
Earnings from discontinued operations	7,377	—	—	—	—
Net operations	418	8,301	4,103	(627)	1,187
Earnings before patronage dividends and the under noted	17,703	22,715	14,497	8,903	11,014
Patronage dividends	4,000	4,000	3,339	3,000	3,000
Earnings before the under noted	13,703	18,715	11,158	5,903	8,014
Provision for impairment on third party ABCP	(33,340)	—	—	—	—
Gain on sale of retail card business	64,600	—	—	—	—
Earnings before income taxes	44,963	18,715	11,158	5,903	8,014
Income taxes	4,714	4,636	3,014	1,528	2,103
Earnings for the year	40,249	14,079	8,144	4,375	5,911
Retained earnings, beginning of year	38,070	31,832	27,230	25,629	22,909
Adjustment on implementation of new accounting standards	5	—	—	—	—
	78,324	45,911	35,374	30,004	28,820
Share dividends	(10,760)	(9,871)	(4,485)	(3,514)	(4,141)
Recovery of income taxes on share dividends	2,178	2,030	943	740	950
Retained earnings, end of year	\$ 69,742	\$ 38,070	\$ 31,832	\$ 27,230	\$ 25,629

For the purposes of this table, CUETS is disclosed as discontinued operations in 2007 only.

ALBERTA CENTRAL AT A GLANCE

Employees: 60

Assets: \$1.3 billion

Owners: 46 Alberta Credit Unions

System Assets: \$14.6 billion

ALBERTA CENTRAL'S SERVICES

Lending

- credit union loan program
- commercial loan syndication program
- mortgage pooling
- agricultural, commercial, residential and consumer lending support
- development and marketing of operational manuals
- liaison for provincial and national lending committees, legislation and task forces

Treasury

- liquidity and investment management
- foreign exchange rates
- derivative strategy
- pricing and asset liability management

Purchasing and Supplies

- inventory management & distribution
- local and national product sourcing and procurement
- direct mail services
- custom printing

Government Relations/Strategic Planning/Communications

- facilitation of system strategic planning and decision making
- provincial and federal government relations support and advocacy
- system representation on national system and industry committees and affiliate organizations
- management of system communication programs

CUPS Payment Services

- image-based cheque processing
- cheque imaging archival services
- remittance/lockbox processing
- bill payment processing
- CD-Rom services
- paper and e-statement processing services
- integrated document imaging and management services
- customer automated funds transfer (CAFT)
- automated funds transfer (AFT)
- wire transfer payments
- electronic data interchange
- ATM/POS settlement and reconciliation
- distribution/mailroom services
- cash processing services

Celero Solutions

- operation and support of banking systems and their associated delivery channels including Internet and telephone banking
- application and hosting services
- network services including Local Area Networks (LANs), Wide Area Networks (WANs), Metropolitan Area Networks (MANs), and Internet Service Provider (ISP) services
- custom product and application development
- applications integration
- high-availability infrastructure
- desktop computing
- business solutions consulting
- Client Care services

PARTNERS

Credit Union Central of Manitoba

Employees: 97

Assets: \$1.92 billion

Owners: 54 Manitoba Credit Unions

System Assets: \$12.9 billion

SaskCentral

Employees: 110

Assets: \$4.8 billion (consolidated); \$1.4 billion (legal entity)

Owners: 75 Saskatchewan Credit Unions

System Assets: \$11.2 billion

JOINT VENTURES

Celero Solutions

Employees: 350

Clients: 200

Annual Operating Budget: Approximately \$64 million

Owners: Alberta Central, Credit Union Central of Manitoba,
SaskCentral, Concentra Financial

CUPS Payment Services

Employees: 164

Clients: 137

Transactions Processed: 145 million annually

Owners: Alberta Central, SaskCentral

INVESTMENTS

Concentra Financial

Employees: Over 420

Assets Under Administration: \$20.0 billion

Corporate Assets: \$3.6 billion

Owners: Provincial Centrals, Credit Unions, CUMIS, The Co-operators

Credential Financial Inc.

Employees: 231

Credit Union Partners: 290 across Canada

Assets Under Administration: \$11.35 billion

Owners: Provincial Centrals (50%), CUMIS (50%)

The Ethical Funds Company

Employees: 85

Clients: 123,000 Investors

Assets Under Management: \$2.4 billion

Owner: Provincial Centrals

The CUMIS Group Limited

Employees: 356

Locations: 7

Assets: \$1.2 billion

Owners: CUNA Mutual Group, Provincial Centrals and Other Partners

Credit Union Central of Canada (Canadian Central)

Employees: 46

Net Investment Income (after tax): \$800,000

Net Trade Division Assessment: \$7.2 million

Owners: Provincial Centrals and Other Partners

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Rene Dumas
FIRST VICE CHAIR

Bruno Friesen
SECRETARY

Cam Durham

Gerry Jensen

Greg Nail

Bill Purdy

Randy Harper
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CHAIR

Ray Coates

Dave Gregory

Darcy Mykytyshyn

Jack Paterson

Dave Munro
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COMMITTEE
MEMBER

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FINANCIAL REPORTING
& CONTROL

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Mixed Sources

Product group from well-managed
forests, controlled sources and
recycled wood or fiber

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